

# KENTUCKY ECONOMIC INDICATORS

May Indicators as of July 28, 2004

## **KY Composite Index of Leading Indicators increased 0.7 percent for May.**

- \* The Leading Index increased for the tenth time in the last 12 months.
- \* The Leading Index rose by 2.5 percent over the same month last year.
- \* Component indicators were mixed, gainers over losers 3:2.
  - KY Labor Intensity Index decreased 2.5 percent.
  - + The US Leading Index increased 5.3 percent.
  - + The Index of KY Initial Claims increased 1.9 percent.
  - + US Retail Sales increased 18.0 percent.
  - The Louisville Help Wanted Index decreased by 3 points to 48.

*The component weights for May are 49.54, 23.56, 14.78, 10.41 and 1.70 respectively.*

## **KY Composite Index of Coincident Indicators increased 3.7 percent for May.**

- \* The Coincident Index has increased for thirteen consecutive months.
- \* Same-month-last-year growth is positive for the tenth consecutive month at 2.8 percent.
- \* Component indicators were all positive 3:0.
  - + KY Total Nonagricultural Employment increased 0.2 percent.
  - + US Industrial Production Index increased 11.0 percent.
  - + US Personal Income Less Transfers increased 1.7 percent.

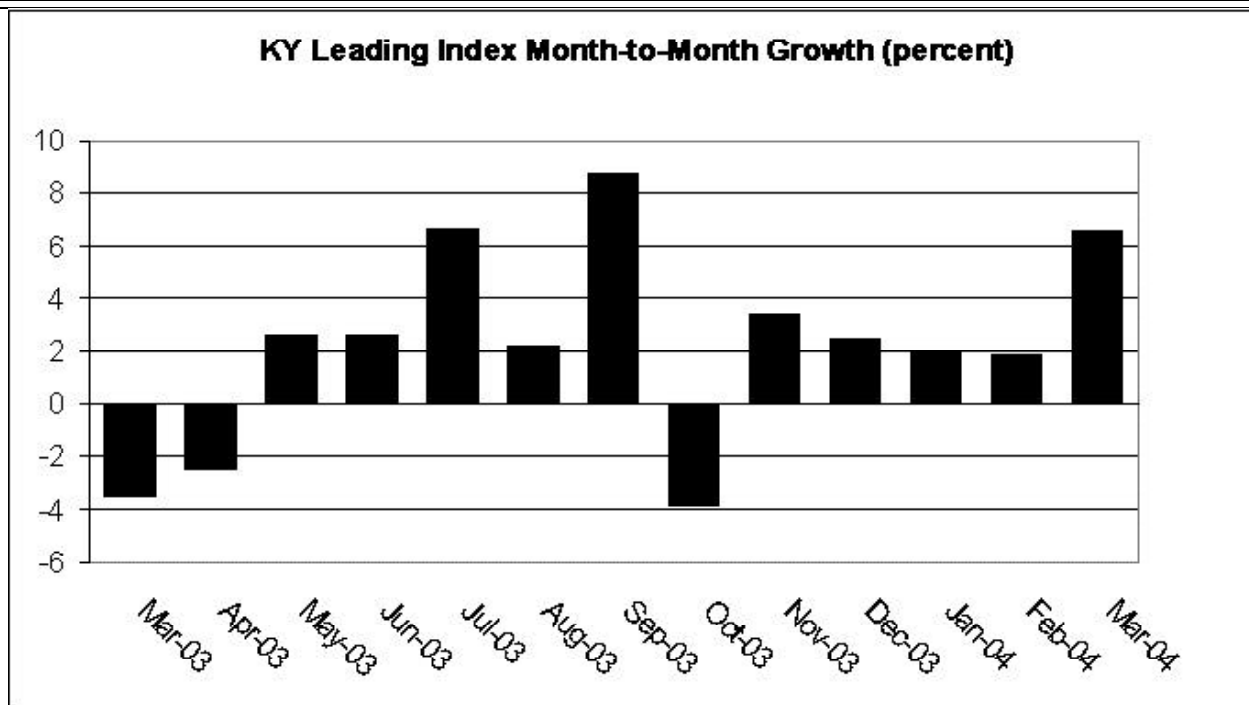
*The component weights for May are 31.56, 29.38 and 28.55 respectively. Component weights do not sum to one because the two US components were discounted to allow the Kentucky component more weight.*

The Kentucky Leading Index was marginally positive for May with 0.7 percent growth. The Kentucky Initial Claims Index was the only positive Kentucky component this month. The US components made up the majority of the gains in the May Index. Meanwhile, two of the three Kentucky components were solidly negative. The Kentucky Labor Intensity Index, which carries the heaviest weight in the KY Leading Index, has shown very little growth in the last 12 months. The latest trough in the series was in March 2003. The Labor Intensity Index has only regained 15.0 percent of its previous peak-to-trough loss since March 2003. Therefore, this cycle contains both the longest period of decline and the slowest recovery since we began recording the series in 1978.

Kentucky Nonagricultural Employment has hovered right around the 1,780,000 level for the last two years. Kentucky Nonagricultural Employment is just a little above that two-year trend right now at 1,788,400. There is no clear pattern or trend. Kentucky Manufacturing Employment has declined moderately to strongly for the last three years. This trend has been very steady with very few deviations. In fact, there have been only six monthly increases since April 2000.

US Retail Sales surge in May as higher energy prices work their way through to final goods and services. Motor Vehicles and Gasoline Stations were the two biggest gainers in US Retail Sales. US Retail Sales are increasing at a faster rate than last year. Calendar year 2003 had an average growth rate of 6.9 percent, while the first 5 months of calendar year 2004 have averaged 11.0 percent.

Our indices are compiled and published on a monthly basis, roughly two weeks following the Conference Board release of the U.S. Leading Index. A complete description of the Index of Leading Indicators and methodology was published in the University of Kentucky Center for Business and Economic Research *Kentucky Annual Economic Report, 2000.*



**About the Indicators**

**Kentucky Reference Series**

Inflation-adjusted personal income less transfer payments and policy-adjusted general fund tax receipts are combined to form the GOEA composite reference series.

**Kentucky Leading Indicators**

- **GOEA Labor Intensity Index:** Composed of seasonally adjusted weekly hours multiplied by employment for the following manufacturing industries: Lumber products, chemical and allied products, rubber and plastic products, fabricated metals, and transportation equipment.
- **GOEA Initial Unemployment Insurance (UI) Claims Index:** This index has two components: Kentucky UI claims in their first month of payment and total U.S. initial claims. Additional claims for UI are the subset of initial claims filed by workers who have previously filed UI claims but are currently filing new claims with intermittent workforce attachment since their original claim. The claims in their first month of payment without intermittent qualified experience performed better in the testing process and were chosen accordingly.
- **Louisville Help-wanted Index:** The Conference Board computes an index of help-wanted advertisements for major regions across the United States; Louisville is the only city in Kentucky covered by the Conference Board.
- **U.S. Manufacturing and Trade Sales:** This series outperformed Kentucky sales tax receipts and U.S. total retail sales. Current manufacturing and trade sales help form the basis for business expectations for the immediate short run. Since production and investment do not occur instantaneously, the formation of expectations (manifested through current manufacturing and trade sales) should slightly lead the business cycle.
- **GOEA U.S. Leading Index:** We eliminated two variables, UI Claims and weekly hours, from the U.S. leading index since we already use the Kentucky equivalents. The remaining eight components of the U.S. leading index were tested, eliminating both the interest rate spread and the slower deliveries diffusion index of vendor performance. The remaining six components were then re-indexed by GOEA.

**Table Notes:**

- 1) Growth rates are computed with precise numbers. Due to rounding, two observations may have the same reported value but still exhibit growth at a more precise level.
- 2) More information is available on our website, [www.osbd.state.ky.us](http://www.osbd.state.ky.us).

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**SELECTED KENTUCKY ECONOMIC INDICATORS  
SEASONALLY ADJUSTED**

**2003**

**2004**

	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY
KY Leading Index (1992=100)	110.0	110.2	110.8	111.0	111.8	111.4	111.7	111.9	112.1	112.3	112.9	112.7	112.7
% Chg Previous Month SAAR	2.5	2.5	6.1	2.1	8.7	-3.8	3.3	2.4	1.9	2.2	6.3	-2.2	0.7
% Chg Same Month Last Year	-0.6	-0.6	-0.1	0.3	1.4	1.0	1.1	1.5	1.5	1.8	2.7	2.6	2.5
KY Coincident Index (1992=100)	127.7	127.7	128.0	128.1	128.4	128.8	129.5	129.6	130.0	130.4	130.4	130.9	131.3
% Chg Previous Month SAAR	1.4	0.0	2.6	1.5	3.2	3.4	6.5	1.1	4.3	3.0	0.5	4.4	3.7
% Chg Same Month Last Year	-0.2	-0.5	-0.3	0.0	0.4	0.7	1.1	1.5	1.7	1.9	2.1	2.6	2.8
KY Nonag Employment (000s)	1,780.7	1,780.2	1,775.3	1,779.6	1,782.7	1,785.2	1,786.4	1,785.7	1,793.4	1,788.2	1,788.1	1,788.1	1,788.4
% Chg Previous Month SAAR	-0.1	-0.3	-3.3	2.9	2.1	1.7	0.8	-0.5	5.3	-3.4	-0.1	0.0	0.2
% Chg Same Month Last Year	-0.3	-0.4	-0.9	-0.4	-0.2	-0.2	-0.2	-0.2	0.4	0.4	0.3	0.4	0.4
KY Mfg Employment (000s)	265.6	265.2	264.9	265.2	265.1	266.2	265.8	266.1	266.9	265.8	265.8	264.1	264.5
% Chg Previous Month SAAR	-1.3	-1.8	-1.3	1.4	-0.5	5.1	-1.8	1.4	3.7	-4.8	0.0	-7.4	1.8
% Chg Same Month Last Year	-4.0	-3.9	-3.5	-3.0	-2.3	-2.3	-2.0	-1.5	-1.0	-1.2	-0.6	-0.7	-0.4
KY Unemployment Rate (%)	6.2	6.3	6.6	6.2	6.2	6.0	6.0	6.0	5.3	5.3	5.5	5.4	5.4
KY Index of Initial UI Claims	99.3	99.3	99.8	100.2	100.1	101.2	101.2	101.3	101.7	101.4	102.4	102.3	102.5
% Chg Previous Month SAAR	6.0	0.7	6.2	5.3	-1.4	13.8	-0.2	1.2	5.3	-3.8	12.6	-0.9	1.9
% Chg Same Month Last Year	-0.6	-1.1	-1.0	-0.2	0.7	1.6	0.8	2.6	1.8	1.7	3.5	3.6	3.3
KY Labor Intensity Index (1992=100)	104.1	103.9	104.2	104.3	104.4	104.4	104.6	104.4	104.8	104.7	104.7	104.7	104.5
% Chg Previous Month SAAR	1.1	-2.5	3.5	0.7	1.1	-0.3	3.4	-3.3	4.8	-0.4	-0.8	0.9	-2.5
% Chg Same Month Last Year	-1.0	-1.2	-0.9	-0.8	-0.7	-0.7	-0.1	-0.6	0.1	0.2	0.7	0.7	0.4
Louisville HWI (1992=100)	47.0	49.0	50.0	47.0	73.0	50.0	49.0	57.0	50.0	55.0	56.0	51.0	48.0
% Chg Previous Month SAAR	-52.4	64.9	27.4	-52.4	19,610.6	-98.9	-21.5	514.0	-79.2	213.8	24.1	-67.4	-51.7
% Chg Same Month Last Year	-28.8	-31.0	-21.9	-21.7	25.9	-13.8	-14.0	7.5	-9.1	-8.3	-3.4	2.0	2.1
GF Total Tax Receipts (\$mil)	416.4	617.6	470.9	459.6	628.9	530.4	531.1	676.1	583.1	462.6	509.3	721.1	479.5
% Chg Same Month Last Year	-3.1	1.6	8.2	-5.9	-4.1	-7.1	0.7	5.3	-8.2	10.2	16.3	3.5	15.1
GF Sales & Use Receipts (\$mil)	190.2	191.6	208.2	197.3	200.4	213.3	199.0	207.9	249.5	164.0	185.0	217.5	205.6
% Chg Same Month Last Year	0.3	0.1	3.2	-14.7	-0.4	-1.9	5.3	8.0	6.9	8.9	11.7	8.9	8.1
GF Income Tax Receipts (\$mil)	158.2	267.9	206.6	224.2	273.0	228.1	224.0	247.6	207.2	217.3	142.0	366.6	189.6
% Chg Same Month Last Year	1.8	-1.5	10.1	10.0	-2.2	-4.0	3.2	8.6	-28.8	6.1	21.4	3.4	19.8

# SELECTED U.S. ECONOMIC INDICATORS SEASONALLY ADJUSTED

	2003						2004						
	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY
US Leading Index (1982=100)	111.6	112.0	112.8	113.2	113.3	113.9	114.2	114.5	114.9	114.9	115.8	115.9	116.4
	12.6	4.4	8.9	4.3	1.1	6.5	3.2	3.2	4.3	0.0	9.8	1.0	5.3
	0.2	0.8	1.6	2.2	2.7	3.3	2.9	3.1	3.5	3.9	4.9	4.9	4.3
US Coincident Index (1992=100)	114.3	114.4	114.7	114.7	114.9	115.2	115.6	115.8	116.0	116.3	116.9	117.2	117.5
	2.1	1.1	3.2	0.0	2.1	3.2	4.2	2.1	2.1	3.1	6.4	3.1	3.1
	0.0	-0.1	0.3	0.3	0.5	0.8	1.0	1.4	1.4	1.8	2.4	2.7	2.8
US Nonag Employment (Mil.)	129.9	129.9	129.8	129.8	129.9	129.9	130.0	130.0	130.2	130.3	130.6	131.0	131.2
	-0.3	-0.1	-0.4	-0.2	0.6	0.8	0.8	0.1	1.5	0.8	3.3	3.0	2.2
	-0.4	-0.4	-0.4	-0.4	-0.3	-0.3	-0.2	0.0	0.0	0.2	0.5	0.8	1.0
US Unemployment Rate (%)	6.1	6.3	6.2	6.1	6.1	6.0	5.9	5.7	5.6	5.6	5.7	5.6	5.6
US Initial Claims for UI (000s)	423.7	418.9	399.5	400.4	399.5	382.2	368.7	362.5	355.3	355.5	340.4	343.6	341.3
	-26.9	-12.8	-43.4	2.7	-2.7	-41.2	-35.0	-18.4	-21.4	0.7	-40.6	11.9	-7.7
	5.3	8.2	3.9	1.2	-3.5	-7.3	-6.4	-13.1	-10.1	-13.4	-19.0	-21.0	-19.4
US Industrial Production Index	110.0	110.0	110.8	110.9	111.5	111.8	112.9	113.1	113.8	114.8	114.7	115.5	116.5
	-0.8	-0.4	9.6	0.3	7.1	3.1	12.3	2.9	7.3	10.7	-1.1	9.6	11.0
	-0.8	-1.5	-0.6	-0.6	0.1	0.7	1.5	2.3	2.4	2.8	3.5	4.9	5.9
US Personal Inc. Less Trans. (bil 92\$)	7,412.0	7,416.6	7,435.8	7,446.3	7,457.1	7,499.9	7,557.2	7,565.3	7,575.5	7,599.2	7,617.8	7,654.6	7,665.5
	6.1	0.7	3.2	1.7	1.8	7.1	9.6	1.3	1.6	3.8	3.0	6.0	1.7
	0.4	0.2	0.8	1.1	1.4	1.8	2.6	3.0	3.1	3.4	3.6	3.8	3.4
CPI, All Urban (1982-84=100)	183.3	183.5	183.8	184.5	185.1	184.9	184.6	184.9	185.8	186.3	187.2	187.6	188.8
	-0.7	1.3	2.0	4.7	4.0	-1.3	-1.9	2.0	6.0	3.3	6.0	2.6	8.0
	2.1	2.1	2.1	2.2	2.3	2.0	1.8	1.8	2.0	1.7	1.7	2.3	3.0
US Retail Sales (bil 84\$)	307.4	312.2	315.4	318.9	317.5	318.1	321.8	322.3	323.9	327.0	333.8	331.1	335.7
	-2.8	20.4	12.9	14.5	-5.4	2.3	15.0	2.0	6.0	12.0	28.1	-9.2	18.0
	4.6	5.2	5.3	6.1	7.0	6.6	7.3	6.4	6.3	8.5	8.6	7.5	9.2
Manufacturing & Trade Sales (000s)	857.4	867.0	879.6	874.5	882.3	886.0	891.2	898.3	895.6	901.3	923.4	916.6	*920.2
	10.6	14.3	18.9	-6.7	11.3	5.1	7.3	10.0	-3.5	7.8	33.9	-8.5	4.7
	1.4	2.3	3.0	2.3	4.2	4.2	4.3	5.4	4.2	7.0	8.3	7.8	7.3
US Consumer Expectations (1966=100)	91.4	86.4	83.7	82.5	80.8	83.0	88.1	89.8	100.1	88.5	88.8	87.3	81.6
	449.6	-49.1	-31.7	-15.9	-22.1	38.0	104.5	25.8	268.0	-77.2	4.1	-18.5	-55.5
	-1.4	-1.7	3.3	2.4	1.1	13.5	12.2	11.1	37.5	26.6	27.6	10.1	-10.7
Ave. Prime Interest Rate (% NSA)	4.25	4.22	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
* ARIMA estimation													